

## Message Text

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SUBJECT: SINO-CZECHOSLOVAK TRADE IN 1974-1975

REF: PEKING 1253 (1974)

SUMMARY. THE 1975 SINO-CZECH TRADE AGREEMENT PROVIDES FOR TWO WAY TRADE OF 350 MILLION SWISS FRANCS (ABOUT US DOLLARS 140 MILLION),

AN INCREASE IN REAL TERMS OF ABOUT 11 PERCENT OVER THE AGREED LEVEL IN 1974. THE AGREEMENT IS UNBALANCED IN FAVOR OF THE CHINESE IN ORDER TO MAKE UP FOR ACCUMULATED DEFICITS IN CZECH SHIPMENTS OVER RECENT YEARS. PRINCIPAL CHINESE EXPORTS IN THE 1975 AGREEMENT ARE 40,000 TONS OF RICE AND 10,000 TONS ON SOYBEANS. MAIN IMPORTS FROM CZECHOSLOVAKIA ARE MACHINE TOOLS, TRUCKS, MOBILE CRANES, AND DIESEL ENGINES. THE CHINESE HAVE BEGUN BUYING TRUCK CHASIS (APPARENTLY

FOR MOUNTING THEIR OWN CRANES) AND ARE BUYING INCREASINGLY LARGE LIMITED OFFICIAL USE

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QUANTITIES OF TRUCK SPARE PARTS. ENRSUMMARY.

1. JIRI CHLAPIK, COMMERCIAL COUNSELOR OF THE CZECHSLOVAK EMBASSY IN PEKING, PROVIDED USLO OFFICER WITH FBOLOWING INFORMATION ON SINO-CZECH TRADE AGREEMENTS OF 1974 AND 1975.

2. THE SINO-CZECH 1974 TRADE AGREEMENT PROVIDED FOR BALANCED TRADE AMOUNTING TO 153 MILLION SWISS FRANCS EACH WAY. ALSO, TO PARTIALLY MAKE UP FOR ACCUMULTED CZECH IMBALANCES OVER RECENT YEARS, A SEPARATE CONTRACT (OUTSIDE THE AGREEMENT) PROVIDED FOR THE CZECHS TO SHIP AN ADDITIONAL 9 MILLION SFS OF GOODS. CHLAPIK DOES NOT YET HAVE FINAL FIGURES ON ACTUAL SHIPMENTS IN 1974, BUT THERE WAS UNDOUBTEDLY A SIGNIFICANT INCREASE, POSSIBLY OVER 25 PERCENT IN TOTAL TRADE. (IN 1973, CZECH FIGURES SHOWED ACTUAL CHINESE EFFORTS OF 125.5 MILLION SFS AND IMPORTS OF 117 MILLION SFS - REFTEL.)

3. CHLAPIK SAID THE RECENTLY SIGNED 1975 AGREEMENT PROVIDES FOR PRC EXPORTS OF 164 MILLION SFS AND IMPORTS OF 186 MILLION SFS. THE CZECHS PGOPOSED THIS UNBALANCED AGREEMENT IN ORDER TO FURTHER REDRESS THE ACCUMULATED CZECH IMBALANCE, AND THE CHINESE SURPRISINGLY ACCEPTED. CHLAPIK SAID IT IS THE FIRST UNBALANCED AGREEMENT IN 14 YEARS. THUS, THE 1975 AGREEMENT, AS COMPARED TO THE 1974 AGREEMENT AND ADDITIONAL CONTRACT, PROVIDES FOR A 7 PERCENT INCREASE IN PRC EXPOGTS, A 15 PERCENT INCREASE IN PRC IMPORTS, AND AN OVERALL INCREASE OF 11 PERCENT. CHLAPIK SAID THAT UNLIKE RECENT YEARS THERE WERE NO SIGNIFICANT OVERALL PRICES CHANGES FROM THE 1974 TO THE 1975 AGREEMENT, AND THE ABOVE INCREASES THUS REPRESENT REAL GROWTH.

4. MAIN CHINESE IMPORTS IN THE 1975 AGREEMENT ARE METALWORKING MACHINES, TRUCKS, MOBILE CRANES, TRUCK CHASIS (WHICH THE CHINESE ARE BUYING FOR THE FIRST TIME AND WHICH THE CZECHS BELIEVE THEY WILL USE FOR MOUNTING THEIR OWN CRANES), CEMENT MIXER TRUCKS, DIESEL ENGINES AND GENERATORS, DIESEL SHIP ENGINES, AND SHOE MAKING MACINERY. PRINCIPAL CHINESE EXPORTS IN THE 1975 AGREEMENT ARE RICE (40,000 TONS,

THE SAME AS IN 1974), SOYBEANS (10,000 TONS COMPARED TO 5,000 LIMITED OFFICIAL USE

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IN 1974), TUNG OIL, TEXTILES, BRISTLES, CASINGS, AND CHINAWARE. CHLAPIK COMMENTED ON THE VORACIOUS CHINESE APPETITE FOR TRUCK SPARE PARTS, WHICH THE CZECHS SUSPECT THE CHINESE ARE USING TO ASSEMBLE THEIR OWN VEHICLES. THE CHINESE BOUGHT 12 MILLION SFS OF TRUCK

SPARE PARTS IN 1974, AND WANTED 25 MILLION SFS WORTH IN THE 1975 AGREEMENT WHICH IS MORE THAN THE CZECHS ARE ABLE TO SUPPLY. THEY FINALLY AGREED ON THE FIGURE OF 15 MILLION SFS.

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